

HOUSING AUTHORITY OF ASOTIN COUNTY
Asotin County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. Adequate Accounting For Land, Structures, And Equipment Should Be Established And Monitored And An Annual Physical Inventory Should Be Conducted

Detail asset records are not adequate to support balances shown in the general ledger accounts and do not consistently indicate the description, identification number, locations of property, acquisition date, source of funding, cost of property, or disposition. There is no evidence that an annual inventory of equipment was conducted during 1993 as required. These conditions were also reported in previous audit reports.

"Common Rule" Subpart C, Subsection __ .32 (d)(1) states:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

The *Low-Rent Housing Accounting Handbook* 7510.1, Chapter 7, requires that an annual inventory of expendable and nonexpendable equipment be conducted.

These conditions exist because the authority has experienced a change in management and there has been insufficient time to implement the needed changes in the accounting and internal control systems for general fixed asset accounting and inventory control. Such weaknesses could allow irregularities and errors to occur and not be discovered in a timely fashion during the normal course of business.

We recommend that management establish an adequate fixed asset accounting system and conduct an annual inventory of assets in compliance with federal regulations.

2. Housing Authority Should Implement Adequate Accounting System For Modernization Projects Expenditures

The system used to account for modernization costs is inadequate to support the costs claimed for reimbursement and the Actual Modernization Cost Certificates supplied to The U. S. Department of Housing and Urban Development (HUD). Development cost ledgers were not maintained for Modernization Projects WA19P017907-Z (907) and WA19P17908-Z (908). Of the \$748,950 awarded for Modernization Project 907, authority officials could not provide any documentation for \$21,000 claimed for reimbursement. Of the documents provided to support the remaining reimbursement claims, \$28,000 of costs were inadequately supported. Questioned costs of \$20,000 resulted from lack of adequate support for the \$800,000 award for Modernization Project 908. Total questioned costs for both projects are \$69,000.

Vouchers for both projects did not always indicate the budget category to which the costs applied. We were unable to determine which costs claimed comprised the amounts reported on the Actual Modernization Cost Certificates required to be submitted to HUD upon completion of each project.

HUD Handbook 7510.1, *Low-Rent Housing Accounting Handbook*, Chapter 4, No. 5, states in part:

Development Cost Ledger. A ledger shall be maintained as a subsidiary to General Ledger Account 1400.2, Development Cost, in which to record development cost incurred pursuant to an Annual Contributions Contract. The ledger shall be maintained in such a way that the development costs classified by the prescribed classification of accounts can be determined separately for each project. The development cost ledger shall be established promptly upon receipt of the first advance of funds under the Contract . . . At the close of each reporting period, the cumulative total of the amounts recorded in the ledger shall represent the total development costs incurred to date regardless of whether costs have or have not been paid.

A very weak audit trail exists due to the accounting system used to accumulate costs to be claimed for reimbursement and support reimbursements received. Authority management cannot be assured that only allowable costs were charged to these programs. Further, there is a very high risk that errors and irregularities cannot be detected in a timely manner.

We recommend that management implement an adequate accounting system for modernization projects.